

1
2 **Q. WHAT ARE THE SOURCES OF UNBUNDLED NETWORK ELEMENT**
3 **PRICES FOR THE MONTHLY RECURRING SERVICES AND THE**
4 **NON-RECURRING SERVICES?**

5
6 A. All unbundled network element prices are those approved by the Alabama Public
7 *Service Commission in Docket 27821.*

8
9 **Q. WHAT IS THE SOURCE OF THE ACCESS LINE DATA USED TO**
10 **DETERMINE THE WEIGHTED AVERAGE UNE PRICES?**

11
12 A. The access line data are from the FCC's HCPM (Hybrid Cost Proxy Model) that
13 provided lines by wire center as of 2000.

14
15 **Q. WHAT ADDITIONAL VARIABLES ARE INCLUDED IN THE**
16 **CALCULATIONS?**

17
18 A. A weighted average cost of capital input is used for amortizing the non-recurring
19 charges. This weighted average cost of capital is 13.07%. This utilizes the cost
20 of capital calculated by the FCC in the recent Verizon-Virginia WorldCom
21 Arbitration Order.²

22
23 **Q. HOW ARE THE NON-RECURRING UNBUNDLED NETWORK**
24 **ELEMENT COSTS TREATED IN THE ECONOMIC CROSSOVER**
25 **ANALYSIS?**

² CC Docket No. 00-218, In the Matter of Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation

1
2 A. The non-recurring unbundled network element charges for establishing DS0 or
3 DS1 services are amortized over a 24 month period using the weighted cost of
4 capital. In this model the assumption is a 24 month average customer life.

5
6 **Q. HOW IS THE MONTHLY COST OF THE CHANNEL BANK AT A DS1**
7 **CUSTOMER PREMISES CALCULATED?**

8
9 A. The monthly cost of the equipment is calculated by dividing the total material cost
10 over the life of the asset, accounting for the cost of capital, nine year depreciation
11 life, income tax, maintenance, and sales tax of 7 percent.

12
13 Material prices reflect the size of the channel bank and cards that would be
14 installed at a customer premises capable of multiplexing one DS1 into DS0s. The
15 material was then amortized. Labor related to the installation of the customer
16 premises channel bank was amortized over 24 months.

17
18 **Q. HOW ARE THESE COST COMPONENTS USED TO CALCULATE AN**
19 **AVERAGE CROSSOVER BETWEEN UNBUNDLED DS0 AND DS1**
20 **LOOPS WITHIN BELL SOUTH'S TERRITORY?**

21
22 A. The Sprint model calculates the UNE provisioning costs of both DS0 and DS1
23 facilities as described above for each central office in the state of Alabama served
24 by BellSouth. A weighted average cost for each MRC and NRC is computed by
25 multiplying the central office specific result by the percentage of access lines in

1 that central office. The weighted average cost of a DS1 loop is then divided by
2 the weighted average cost of a DS0 loop.

3
4 **Q. WHAT IS THE ECONOMIC CROSSOVER RESULT PRODUCED IN**
5 **THE MODEL?**

6
7 A. The model results indicate that, for up to 12 DS0s at a customer's location,
8 purchasing individual loops is more cost effective, or economic, than purchasing a
9 single DS1. Above 12 DS0s, the DS1 becomes the more cost effective means of
10 providing service to the customer.

11
12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13
14 A. Yes.

Docket 29054 Phase II
 Exhibit to Rebuttal Testimony of Mark Argenbright
 Exhibit MEA-1

TRO Economic Business Case
 DS0 to DS1 Cross Over

State = AL
 Company = BellSouth

A	B	C	D	E	F
Row	Description	DS1 + Channel Bank	DS0	Cross-Over DS0 Quantity	Cross-Over Rounded DS0 Quantity
10	Weighted Average				
11	MRC	\$166.38	\$17.37		
12	NRC - Ammortized	\$38.98	\$0.94		
13	Total	\$205.36	\$18.31	11.22	12
14					

1 **Inputs**

2		
3	Assumed Term	
4	Months - MRC	1
5	Channel Bank (CB)	
6	MRC per DS1	\$38.02
7	Assumed Term	
8	Months - NRC	24
9	Cost of Capital	
10		13.07%
11	Add'l NRC DS0 Quantity	
12	Number of DS0s	11

13					
14					
15	UNE DS0 Loop MRC Rates				
16	State	Zone	BS	ILEC	ILEC
17	Alabama	1	\$12.58	\$0.00	\$0.00
18		2	\$21.05	\$0.00	\$0.00
19		3	\$34.34	\$0.00	\$0.00
20		4	\$0.00	\$0.00	\$0.00
21	Weighted Average		\$17.37		

22					
23					
24	UNE DS1 Loop MRC Rates				
25	State	Zone	BS	ILEC	ILEC
26	Alabama	1	\$82.55	\$0.00	\$0.00
27		2	\$154.18	\$0.00	\$0.00
28		3	\$314.52	\$0.00	\$0.00
29		4	\$0.00	\$0.00	\$0.00
30	Weighted Average		\$166.38		

31					
32					
33	UNE DS0 Loop NRC Rates				
34	State	Description	BS	ILEC	ILEC
35	Alabama	NRC-First	\$37.81	\$0.00	\$0.00
36		NRC-Additional	\$17.56	\$0.00	\$0.00
37		S.O.-First	\$5.83	\$0.00	\$0.00
38	Weighted Average		\$19.73		

39					
40					
41	UNE DS1 Loop NRC Rates				
42	State	Description	BS	ILEC	ILEC
43	Alabama	NRC-First	\$252.47	\$0.00	\$0.00
44		NRC-Channel Bank*	\$561.13	\$0.00	\$0.00
45		S.O.-First	\$5.83	\$0.00	\$0.00
46	Weighted Average		\$819.43		

* CLEC cost to install the channel bank at customer premises.

Testimony of Daniel R. Gordon
Sprint Communications Company, L.P.
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BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

**In the Matter, on the Commission's own
motion, to facilitate the implementation of the
Federal Communications Commission
Triennial Review determinations in Michigan.**

Case No. U-13796

PREFILED DIRECT TESTIMONY

OF

Daniel R. Gordon

December 19, 2003

Testimony of Daniel R. Gordon
Sprint Communications Company, L.P.
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1 **Q-1. Please state your name, business address, employer and current position.**

2 A-1. My name is Daniel R. Gordon. My business address is 6450 Sprint Parkway,
3 Overland Park, KS 66251. I am employed as Manager - Services Costing for
4 Sprint/United Management Company.

5
6 **Q-2. Please summarize your qualifications and work experience.**

7 A-2. I received a Bachelor of Arts degree from Westminster College in Fulton,
8 Missouri in 1991 with a major in Business Administration. In 1995, I received a
9 Master of Science degree in Agricultural Economics from the University of
10 Missouri - Columbia. I have also received training in telecommunications
11 through various industry sources and completed numerous training courses within
12 Sprint.

13
14 From 1995 to 1997, I was employed as a Research Analyst for the Missouri
15 Department of Social Services. In 1997, I joined the Telecommunications
16 Department of the Missouri Public Service Commission (MoPSC). While at the
17 MoPSC I worked on various regulatory issues including NPA number exhaust,
18 Local Number Portability, Universal Service Funding, and mediation and
19 arbitration of the costs of unbundled network elements and interconnection issues.
20 I also worked as part of the MoPSC Arbitration Advisory Staff on matters related
21 to telecommunications.

22

Testimony of Daniel R. Gordon
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1 In 1998, I took a position with the local telecommunications division of Sprint as
2 a Regulatory Analyst. While in that position I was responsible for Sprint's
3 compliance with regulations in Minnesota, Nebraska, and Wyoming. In mid
4 1999, I assumed my current position in Cost Support, where I am responsible for
5 the cost support of Universal Service Fund (USF) issues, Unbundled Network
6 Elements (UNE), and various services.

7
8 **Q-3. Have you previously testified before state regulatory commissions?**

9 A-3. Yes. I have testified before the Missouri and Tennessee regulatory commissions.
10

11 **Q-4. What is the purpose of your testimony?**

12 A-4. The purpose of my testimony is to support Sprint witness Emily Binder's
13 testimony wherein she discusses, the appropriate crossover point for multi-line
14 DS-0. My testimony provides the calculations used to determine the economic
15 crossover between provisioning DS-0 (voice grade) loops and DS-1 loops.

16
17 **Q-5. Has Sprint developed an economic crossover analysis?**

18 A-5. Yes. Exhibit DRG-1, attached to my testimony, calculates the average economic
19 crossover a competitive local exchange carrier (CLEC) would experience in
20 serving an analog customer in the territories of the two largest incumbent local
21 exchange carriers (ILEC) within the state of Michigan based on the number of
22 analog voice lines used by the customer.

23

Testimony of Daniel R. Gordon
Sprint Communications Company, L.P.
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1 **Q-6. What is the appropriate cut-off for multiline DS-0 customers (where it is**
2 **more economic to serve a multiline customer with a DS-1 loop)?**

3 **A-6. The model results indicate that for a quantity up to twelve DS-0s at a customer's**
4 **location purchasing individual loops is more cost effective than purchasing a**
5 **single DS-1.**

6
7 **Q-7. What are the cost components in the economic cost crossover model for the**
8 **provision of service over a DS-1 facility?**

9 **A-7. Our model includes the monthly recurring charges of the unbundled network**
10 **element DS-1 loops, the unbundled network element non-recurring charges for**
11 **DS-1 loops, and the monthly costs of a channel bank installed at the customer's**
12 **premises used to multiplex multiple voice channels onto a DS-1 loop facility.**

13
14 **Q-8. What are the cost components in the economic cost crossover model for the**
15 **provision of service over a DS-0 facility?**

16 **A-8. The model includes the monthly recurring charges of the unbundled network**
17 **element DS-0 loops and the non-recurring charges for unbundled network element**
18 **DS-0 loops. The non-recurring charges reflect the charges for the initial DS-0**
19 **loop and each additional loop ordered.**

20
21 **Q-9. What are the sources of unbundled network element prices for the monthly**
22 **recurring services and the non-recurring services?**

Testimony of Daniel R. Gordon
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1 A-9. Unbundled network element prices are based on SBC'S Price Schedule, Appendix
2 Pricing as of July 22, 2002, and Verizon's UNE prices are those used in the
3 Sprint-Verizon Interconnection Agreement.

4

5 Q-10. What is the source of the access line data used to determine the weighted
6 average UNE prices?

7 A-10. The access line data are from the HCPM adjusted with Universal Service
8 Administrative Company (USAC) lines in service. HCPM provided lines by
9 wirecenter as of 2000. For each company in the study, the difference between the
10 lines in HCPM and lines in USAC was applied to the wirecenter level line counts
11 to determine a more current estimate of access lines for the studied ILECs.

12

13 Q-11. What additional variables are included in the calculations?

14 A-11. A weighted average cost of capital input is used for amortizing the non-recurring
15 charges. The weighted average cost of capital is 13.068 percent that was ordered
16 for use in the settlement of the FCC arbitration between AT&T, WorldCom and
17 Verizon Virginia, Inc.¹

18

19 Q-12. How are the non-recurring unbundled network element costs treated in the
20 economic crossover analysis?

¹ Petitions of WorldCom, Inc. and AT&T Communications of Virginia Inc. Pursuant to section 252(e) (5) of the Communications act for Preemption of the jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia, Inc., and for Expedited Arbitration, CC Docket Nos. 00-218 and 00-251, DA 03-2738, Memorandum Opinion and Order (Released August 29, 2003) at Paragraph 104.

Testimony of Daniel R. Gordon
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1 A-12. The non-recurring unbundled network element charges for establishing DS-0 or
2 DS-1 services are amortized over a 24 month period using Sprint's weighted cost
3 of capital.

4
5 **Q-13. How is the monthly cost of the channel bank at a DS-1 customer premises**
6 **calculated?**

7 Q-13. The monthly cost of the equipment is calculated by multiplying the total material
8 cost times an annual charge factor that accounts for cost of capital, depreciation,
9 income tax, and maintenance. The annual cost is then divided by twelve to
10 calculate the monthly cost. Material prices reflect the size of the channel bank
11 and cards that would be installed at a customer premises capable of multiplexing
12 one DS-1 into DS-0s. Labor related to the installation of the customer premises
13 channel bank was amortized over 24 months.

14
15 **Q-14. How are these cost components used to calculate a state-wide average**
16 **crossover between unbundled DS-0 and DS-1 loops?**

17 A-14. The model calculates the UNE provisioning costs of both DS-0 and DS-1
18 facilities as described above for each central office in the state of Michigan served
19 by the largest LECs (SBC and Verizon). A weighted average cost for each MRC
20 and NRC is computed by multiplying the central office specific result by the
21 percentage of access lines in that central office. The weighted average cost of a
22 DS-1 loop is then divided by the weighted average cost of a DS-0 loop.

23

Testimony of Daniel R. Gordon
Sprint Communications Company, L.P.
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1 **Q-15. What is the economic crossover result produced in the model.**

2 A-15. The model results indicate that for a quantity of up to twelve DS-0s at a
3 customer's location, purchasing individual loops is more cost effective than
4 purchasing single DS-1. Above twelve DS-0s, the DS-1 becomes the more cost
5 effective means of providing service to the customer.

6

7 **Q-16. Does this conclude your direct testimony?**

8 A-16. Yes.

Testimony of Daniel R. Gordon
Sprint Communications Company, L.P.
Exhibit DRG-1
December 19, 2003

**TRO Economic Business Case
DS0 to DS1 Crossover**

State = Michigan

A	B	C	D	E	F
Row	Description	DS1 + Channel Bank	DS0	Crossover DS0 Quantity	Crossover Rounded DS0 Quantity
10	Weighted Average				
11	MRC	\$98.45	\$12.38		
12	NRC - Amortized	\$56.05	\$0.77		
13	Total	\$154.50	\$13.15	11.75	12
14					

Testimony of Daniel R. Gordon
 Sprint Communications Company, L.P.
 Exhibit DRG-1
 December 19, 2003

1 Inputs

3	Assumed Term	
4	Months - MRC	1
5	Channel Bank (CB)	
6	MRC per DS1	\$43.58
7	Assumed Term	
8	Months - NRC	24
9	Cost of Capital	
10		13.07%
11	Add'l NRC DS0 Quantity	
12	Number of DS0s	11

UNE DS0 Loop MRC Rates				
State	Zone	SBC	Verizon	
Michigan	1	\$8.47	\$26.16	
	2	\$8.73	\$0.00	
	3	\$12.54	\$0.00	
	4	\$0.00	\$0.00	
Weighted Average		\$12.38		

UNE DS1 Loop MRC Rates			
State	Zone	SBC	Verizon
Michigan	1	\$34.66	\$135.44
	2	\$41.57	\$0.00
	3	\$47.26	\$0.00
	4	\$0.00	\$0.00
Weighted Average*		\$98.45	

31 *Includes Channel Bank.

UNE DS0 Loop NRC Rates				
State	Description	SBC	Verizon	
Michigan	NRC-First	\$17.82	\$2.32	
	NRC-Additional	\$17.82	\$2.32	
	S.O.-First	\$3.16	\$5.00	
Weighted Average		\$16.12		

UNE DS1 Loop NRC Rates			
State	Description	SBC	Verizon
Michigan	NRC-First	\$548.36	\$2.32
	NRC-Channel Bank*	\$579.85	\$579.85
	S.O.-First	\$136.82	\$5.00
Weighted Average		\$1,178.09	

* CLEC cost to install the channel bank at customer premises.

In the Matter of the Petition of)
QWEST CORPORATION) **DOCKET NO. UT-033044**
To Initiate a Mass-Market Switching)
And Dedicated Transport Case)
Pursuant to the Triennial Review)
Order)

February 20, 2004

1 I. INTRODUCTION

2 Q. HAVE YOU FILED TESTIMONY IN THIS PROCEEDING?

3 A. Yes. I filed response testimony on February 2, 2004 and also adopted the portion
4 of the direct testimony of John F. Finnegan filed on December 22, 2003 related to
5 the DS0/DS1 crossover point.

6 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

7 A. The purpose of my testimony is to the respond to the response testimony filed by
8 Qwest and the Washington Utilities and Transportation Commission Staff
9 ("Staff") related to the DS0/DS1 cross over analysis. Specifically, I will respond
10 to the brief testimony filed by Qwest witnesses, Peter Copeland and Harry M.
11 Shooshan III, on this topic and the testimony filed by Thomas L. Spinks on behalf
12 of the Staff.¹

13 Q. PLEASE PROVIDE A SUMMARY OF YOUR RECOMMENDATION.

14 A. The Commission should not rely on the FCC presumption of four lines as
15 recommended by Qwest and Staff. As explained in detail in my response
16 testimony, the FCC presumption of four lines is not based on state specific
17 information. The Triennial Review Order ("*TRO*") requires states to perform a
18 granular analysis to determine the cross over point where it is economically

¹ Although response testimony was filed by Harry Shooshan III on the topic of DS0 cross over, Mr. Shooshan III does not provide any specific response, but merely refers to Mr. Copeland's response testimony.

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Rebuttal Testimony of Arleen M. Starr
Exhibit AMS-3T
February 20, 2004
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1 feasible for a CLEC to serve a multi-line customer via a DS1 loop. AT&T has
2 provided the Commission with an objective, quantitative, state specific analysis to
3 determine the DS1 cross over point for Washington. The result of that analysis
4 indicates twelve (12) lines is the appropriate DS1 cross over for a multi-line
5 customer for the state of Washington. The criticisms provided by Qwest of
6 AT&T's cross over analysis do not alter the 12-line result. For purposes of this
7 proceeding, the Commission should base its decision on state specific information
8 and establish a DS1 cross over point of twelve (12) lines. Qwest's and Staff's
9 recommendation to rely on the FCC presumption of four lines should be rejected.

10 **II. RESPONSE TO QWEST AND STAFF TESTIMONY**

11
12 **A. RESPONSE TO QWEST'S TESTIMONY**

13
14 **Q. THE DIRECT TESTIMONY FILED BY QWEST CONCLUDES THE**
15 **COMMISSION SHOULD CONTINUE TO RELY ON THE FCC**
16 **PRESUMPTION OF FOUR LINES AS THE CROSS OVER POINT AND**
17 **DID NOT PROVIDE ANY ANALYSIS. HAS QWEST'S POSITION**
18 **CHANGED?**

19 **A.** No. Qwest's position remains the same -- the Commission should adopt the
20 FCC's presumptive DS0 cross over point of 3 lines or fewer for purposes of
21 delineating the mass market. As provided in more detail in my response
22 testimony, this is not appropriate. Mr. Copeland's testimony reiterates Qwest's

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1 reliance on the FCC presumption, citing to the *TRO* Order, "We expect that in
2 those areas where the switching carve-out was applicable, the appropriate cutoff
3 will be four lines absent significant evidence to the contrary. We are not
4 persuaded, based on this record, that we should alter the Commission's previous
5 determination on this point."² Mr. Copeland states that in the absence of contrary
6 evidence, the FCC relied on, as does Qwest, the four-line presumption.

7 **Q. WHAT IS THE FLAW IN QWEST'S POSITION?**

8 A. Qwest seems to be advocating that this Commission can simply accept the FCC
9 four-line limit. The Commission cannot follow Qwest's recommendation. The
10 *TRO* makes clear that the FCC did not preserve the four-line limit.³ Rather, the
11 FCC directed state commissions to conduct a more granular review and determine
12 the appropriate DS0 cross over point specific to the market being addressed.⁴
13 AT&T has presented the Commission with this granular evidence. Qwest has not.
14 There is no record evidence that supports the four-line limit Qwest proposes,
15 while there is extensive evidence to support the twelve (12) line limit proposed by
16 AT&T.

² *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, and Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 01-338, 96-98 & 98-147, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, FCC 03-36 (rel. Aug. 21, 2003) ("*Triennial Review Order*" or "*TRO*") at ¶ 497.

³ See *TRO*, fn 1546.

⁴ See Response Testimony of Arleen M. Starr, February 2, 2004 for more information related to the FCC presumption of four lines and why it directed the states to conduct a more detailed analysis.

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1 **Q. YOU STATE THAT AT&T HAS PROVIDED THE COMMISSION WITH**
2 **A GRANULAR ANALYSIS SPECIFIC TO WASHINGTON. PLEASE**
3 **EXPLAIN.**

4 **A.** This analysis was provided in the Direct Testimony of John F. Finnegan
5 (testimony I have adopted), filed on December 22, 2003. The result of the
6 analysis demonstrates that when a customer is served by twelve (12) or more lines
7 at a single location a CLEC should be economically indifferent between
8 Unbundled Network Element – Platform (“UNE-P”) or DS1 lines to serve that
9 location. This indicates that a customer with twelve (12) or fewer DS0 lines at a
10 single location should be included in the mass market for purposes of impairment
11 analysis.

12 **Q. HAS QWEST PROVIDED ANY CRITICISM OF THE CROSS OVER**
13 **ANALYSIS PROVIDED BY AT&T?**

14 **A.** Yes. Although it appears Qwest’s overall conclusion is that performing a cross
15 over analysis is a complicated task and should not be attempted, Qwest criticizes
16 AT&T’s analysis, but presents no alternative for this Commission other than the
17 FCC’s old four-line limit. Qwest states, “This is a non-trivial task, because it
18 requires performing a business case analysis of serving multi-line customers, and
19 this entails a credible and consistent examination of expected revenues and

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1 costs.”⁵ Qwest would have this Commission ignore the directive of the FCC and
2 rely on a presumption the FCC did not preserve and that is not based on any
3 specific factual information for a given state or market. Additionally Qwest
4 states, “the FCC directed that, prior to making a change in the cross over point,
5 the state commissions must examine a mini-business case at customer locations.”⁶

6 **Q. IS QWEST CORRECT IN ITS CONCLUSION THAT A MINI-BUSINESS**
7 **CASE ON A CUSTOMER SPECIFIC BASIS BE CONDUCTED?**

8 A. No. The FCC has tasked the state commissions with determining the point where
9 it makes economic sense for a multi-line customer to be served via a DS1 loop. It
10 did not direct states to perform the analysis on a customer location basis. Mr.
11 Copeland seems to imply that this analysis must be performed on a customer-
12 specific basis. That is not the case. Rather, the TRO requires state commissions
13 to make a hypothetical regulatory determination regarding when it would be
14 economically rational to serve customers with a DS1, rather than a DS0. The FCC
15 requires states to perform a granular cross over analysis for a given market. This
16 is exactly what AT&T has done. Qwest’s suggestion that a mini-business case
17 analysis that examines each customer location be conducted is clearly
18 unreasonable and is not required by the *TRO*.

⁵ Response Testimony of Peter Copeland, Exhibit PBC-7T at 36-37.

⁶ Response Testimony of Peter Copeland, Exhibit PBC-7T at 4-5.

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1 **Q. QWEST CRITICIZES AT&T'S CROSS OVER ANALYSIS FOR NOT**
2 **INCLUDING POTENTIAL REVENUE. PLEASE COMMENT.**

3 A. Qwest states that AT&T's analysis ignores the requirement to analyze the
4 potential review opportunities. That is not correct. It appears that Qwest is
5 suggesting that some new revenue stream will be available to CLECs
6 provisioning service via a DS1 that is not available using multi-line POTs service.
7 AT&T disagrees with this position. In preparing its analysis, AT&T considered
8 whether there would be any increased revenues and concluded that there is no
9 reason to assume that the revenue a CLEC could obtain would change based on
10 the network architecture used to serve a customer, and, therefore, there are no
11 "additional" revenue to be considered.

12 The same panoply of services are available to multi-line and DS1 customers. For
13 example, a POTs customer can obtain voices service, features, email, Internet
14 access and web hosting, just as a DS-1 customer can. So the notion that DS1
15 opens up a panoply of services that a CLEC could sell to a customer simply by
16 virtue of the architecture employed, is a fallacy.

17 Qwest has provided no evidence to support a claim that there are any additional
18 service options available to a DS-1 customer that would not be available to the
19 multi-line POTs customer. Qwest's criticisms should be rejected.

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1 **Q. IS A MULTI-LINE POTS CUSTOMER LIKELY TO BE WILLING TO**
2 **PAY A PREMIUM PRICE TO HAVE ITS TELECOMMUNICATIONS**
3 **NEEDS SATISFIED VIA A DS1 ARCHITECTURE RATHER THAN**
4 **MULTIPLE POTS LINES?**

5 A. No. An existing customer with multiple POTS lines is generally not going to be
6 willing to pay a premium price to have its telecommunications needs satisfied
7 with a DS1 architecture. Rather, to convince a customer that is currently being
8 served with multiple POTS lines to leave its current carrier, a carrier that chooses
9 to serve that customer with a DS1 architecture will likely have to offer the
10 customer a reduction in the price the customer was paying for
11 telecommunications services. Customers are much more concerned about the
12 price they are paying for telecommunications service and the quality of the
13 service, than the architecture that is used to provide the service. Qwest has
14 presented no evidence that the DS1 customer would be willing to pay more for the
15 same service offerings. Therefore, Qwest's criticisms should be rejected.

16 In sum, serving a customer with a DS1 type service is neither going to allow a
17 carrier to sell a wider variety of services to a multiple POTS line customer, nor
18 allow the CLEC to charge a premium price. Any notion that there is an
19 "increased revenue opportunity" by serving a multiple POTS line customer with a
20 DS1 type service is not supported by the realities of the small business market.

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1 **Q. HAS QWEST PROVIDED INFORMATION THAT IT IS SERVING**
2 **CUSTOMERS WITH MULTIPLE DS0 LINES (MORE THAN THREE),**
3 **NOT A DS1, AT A SINGLE LOCATION?**

4 **A.** Yes. In response to AT&T data request WA ATT-1-34 and MCI data request
5 WA MCI-1-99, Qwest has provided information on a highly confidential basis
6 that reveals it is serving a significant number of customers using multiple DS0s at
7 a single location.⁷ It appears that, in the real world, Qwest's cross over point for
8 converting its customers from DS0 to DS1 is more than three lines. There is no
9 basis to limit the CLEC's ability to serve its customers in the same manner, by
10 implementing the artificially low cross over point that Qwest recommends.

11 **Q. QWEST ALSO CRITICIZES AT&T'S CROSS OVER ANALYSIS FOR**
12 **USING UNE-P COSTS. PLEASE COMMENT.**

13 **A.** Qwest states that the use of UNE-P costs is incorrect and the correct comparison
14 should be a comparison of DS0 UNE-L costs with the cost to provide a DS1 loop.
15 In all but the most limited situations, an ILEC's unbundled local switching
16 network element is only used as part of a platform with all of the other unbundled
17 network elements known as UNE-P. The purpose of the cross over point in this
18 proceeding is to identify where the enterprise market starts and where the mass
19 market stops. Typically customers in the mass market using a competitive

⁷ See Qwest's highly confidential responses to AT&T 01-034 and MCI 01-099 are attached as Exhibit AMS-4HC.

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1 provider are receiving service via UNE-P, not UNE-L. The decision being made
2 is whether ILECs should be required to provide CLECs with switching capability
3 to serve the mass market. Since mass market customers are currently being
4 provided service via UNE-P, that is the proper comparison. The cross over point
5 will decide the line at which a CLEC can and cannot serve customers using UNE-
6 P and would serve the customer via a DS1 loop. Therefore, a cross over analysis
7 using the cost of UNE-P is appropriate.

8 **Q. QWEST ALSO CRITICIZES SOME OF THE INPUTS USED BY AT&T IN**
9 **ITS CROSS OVER ANALYSIS. WHAT ARE THE SPECIFIC CLAIMS**
10 **MADE BY QWEST?**

11 A. Qwest claims that AT&T uses some incorrect inputs and some unsupported
12 equipment costs. Specifically, Qwest states that AT&T utilizes incorrect DS1
13 nonrecurring rates and special access rates. In addition, Qwest criticizes AT&T
14 for including unsupported equipment costs for multiplexing equipment and
15 maintenance.⁸ Before addressing these claims, however, it is important to point
16 out that, even assuming Qwest is correct in its claim that AT&T has used the
17 wrong rates for the inputs outlined below (and AT&T does not agree that is the
18 case), the result of the analysis does not change -- **the cross over point remains**
19 **at twelve (12) lines.**

⁸ Qwest also claims there are minor computational errors, but does not provide any information on that claim.

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1 **Q. PLEASE ADDRESS QWEST'S INPUT CLAIMS.**

2 **A.** Certainly. I will address each of the three claims.

3 **1. Incorrect DS1 Nonrecurring Rates**

4 AT&T used the nonrecurring rate of \$332.34 associated with a coordinated
5 installation with cooperative testing for a DS1 loop. Qwest claims this is the
6 incorrect rate. AT&T disagrees. However, as noted above, even if the DS1 basic
7 installation rate of \$96.98 (the lowest cost installation option for a DS1 loop) is
8 substituted in the analysis for the \$332.34 nonrecurring charge, the twelve (12)
9 line result does not change.⁹ To address Qwest's claim, there are circumstances
10 where a coordinated installation with cooperative testing is necessary and AT&T
11 does not agree with Qwest that basic installation is the appropriate charge for a
12 DS1 customer. However, since the change does not impact the twelve (12) line
13 cross over it is not relevant and Qwest's criticism is immaterial and should be
14 dismissed.

15 **2. Incorrect Special Access Rates**

16 The special access rates used in AT&T's cross over analysis are from Qwest's
17 FCC Tariff #1, Access Service Tariff for DS3 Private Line Transport Service.
18 The rates used in the model include a nonrecurring charge of \$305.00, a fixed
19 recurring charge of \$240.00, and a per mile charge of \$47.25. The rates are based
20 on an assumption of three miles, a sixty-month term, and are weighted equally